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United Nations Office for Project Services

The governance structure of the United Nations Office for Project Services*

Proposal to realign the Management Coordination Committee within the current governance arrangements of UNOPS

Summary

The present report proposes adjustments to the Management Coordination Committee to realign its functions within the context of the overall governance structure of the United Nations Office for Project Services (UNOPS). The changes suggested reflect the maturity of UNOPS as an entity since its inception in 1995, and the realities of the environment in which it now operates. They aim to more effectively define and assign accountability for UNOPS in the light of its evolution and future prospects as a self-financed provider of operational services.

The elements of the decision recommended by the Management Coordination Committee are presented below. The present submission to the Executive Board was endorsed by the Secretary-General (annex 2: letter dated 8 August 2008).

Elements of a decision

The Executive Board may wish to (a) endorse the amended role and function of the Management Coordination Committee – to be renamed the Policy Advisory Committee – as outlined in the present report, thereby clarifying accountability and providing a focus on strategic business advice that would enable UNOPS to fulfill its mandate, as a provider of operational services, on a fully self-financed basis; (b) recommend the delegation of human resources authority in relation to UNOPS staff to the Executive Director of UNOPS; and (c) recommend proceeding with the changes to the Financial Regulations and Rules proposed in document DP/2008/52.

*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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Introduction

1. This report proposes adjustments to the Management Coordination Committee (MCC) to realign its functions within the context of the overall governance structure of UNOPS. The changes suggested reflect the maturity of UNOPS as an entity since its inception in 1995 and the realities of the environment in which it now operates. They aim to more effectively define and assign accountability for UNOPS in light of its evolution and future prospects as a self-financed provider of operational services.

2. The decision was recommended by the MCC following extensive dialogue and consensus among its members, together with legal advice from the Office of Legal Affairs. The recommendation was subsequently endorsed by the Secretary-General (see annex 2, available on the Executive Board web page).

I. Background

3. UNOPS became a separate and identifiable entity pursuant to General Assembly decision 48/501 of 19 September 1994, in accordance with UNDP Executive Board decision 94/12.2. The original governance arrangements provided for the appointment by the United Nations Secretary-General of an Executive Director to manage UNOPS. The key elements of the governance and oversight structure included:

(a) The UNFPA/UNDP Executive Board, where UNOPS is included as an agenda item in the UNDP segment; and

(b) The MCC (see below for scope).

4. The Users Advisory Group was established "with the responsibility of ensuring that the Office for Project Services is fully aware of the concerns of United Nations organizations and others who utilize its services, and with the responsibility of making appropriate recommendations" (Executive Board decision 94/12). However, the Users Advisory Group only met once (see DP/2002/CRP.5, paragraph 13).

5. UNOPS also reports to the Fifth Committee of the General Assembly, for review primarily of audit findings, and to the Advisory Committee on Administrative and Budgetary Questions (ACABQ), for review primarily of budget submissions and revisions to financial rules and regulations. UNOPS is audited by the United Nations Board of Auditors (BOA).

The Management Coordination Committee

6. The role and functions of the MCC were set out in DP/1994/61 and subsequently approved in Executive Board decisions 94/12, 94/32, and 95/1. The chosen arrangement reflected the historical context: UNOPS was derived from UNDP; there was a close business association between the two organizations; and United Nations wished to exercise sufficient oversight over UNOPS. The UNDP Administrator was designated Chair, and MCC membership included the Under-Secretary General of the United Nations Department for Development Support and Management Services and the United Nations Department of Administrative Services. The Executive Director was appointed Secretary of the MCC.

7. In 2001, the Secretary-General requested the Office of Internal Oversight Services to review these governance provisions in the context of the broader UNDP-UNOPS relationship. The resulting report proposed creating a management board to replace the

MCC, to be chaired by a former high-level UN official who could allocate sufficient time to the function. That recommendation was not accepted by the Secretary-General.

8. In spite of two reviews of UNOPS governance arrangements, the only significant change occurred in 2002, further to DP/2002/CRP.5, when MCC membership was expanded to include major clients of UNOPS (the Division of Peacekeeping Operations and the International Fund for Agricultural Development) as regular members, and the Legal Counsel (or representative) and the United Nations Comptroller (or representative) as ex-officio members. However, there has been no change in the functions of the MCC as originally outlined in DP/1994/61 (annex 1).

9. In 2003 the Executive Board requested an independent review of the UNOPS business model (DP/2003/40). The review pointed out a potential misalignment between authority and accountability as they related to the MCC and the Executive Board, and suggested that the Executive Director chair the MCC.

10. Subsequently, the role of the MCC was on the agenda of the Executive Board in several sessions. Both the MCC and Executive Board chose to defer discussion of this subject to a later date and to concentrate first on improving the financial situation of UNOPS. In 2005 the Executive Director informed the Board (DP/2005/39 chapter VI, paragraphs 65-67, 'Governance: next steps') that he would bring to the January 2006 session recommendations on the functions and composition of the MCC, "taking into account the market environment, likely client base and business requirements". The Executive Board agreed, and scheduled the item for its first regular session 2006 (decision 2005/36). However, the subject was not discussed at that or any subsequent session.

11. In performing its tasks the MCC has convened with varying frequency. As noted in DP/2005/39, "the MCC met intermittently when UNOPS was doing well and more regularly as its financial difficulties increased". Most Under-Secretaries General choose to nominate representatives to attend MCC meetings. IFAD, maybe in part due to having its headquarters in Rome, opted not to participate in most meetings. Certain MCC members were also major clients of UNOPS at times, and tended to focus on their specific interests

12. Over the years, members of the MCC have expressed degrees of discomfort with respect to their role. They have expressed concern that while the MCC formally carried fiduciary supervision and management responsibility, it did not necessarily have detailed or timely information or even the possibility of allocating the time required to exercise its role. In mid-2006, the new Chair questioned the role of the MCC, given the evolution of UNOPS as a distinct entity and to clarify accountability. The matter was discussed by MCC members. The present report contains the MCC recommendation for updating its function and membership.

II. Main reasons for adjusting the governance arrangements

A. The fundamentally changed business reality of UNOPS

13. The original MCC governance arrangement reflected the business and reform circumstances that prevailed during the first half of the 1990s, which led to the creation of UNOPS. Since then the UNOPS service scope has undergone profound transformations, including through Executive Board decisions to expand its service role: (a) decision 2004/3, to cooperate with regional and sub-regional development

banks, (b) decision, 2004/15 to work directly with governments under certain circumstances; and (c) decision 2007/38, on the partial merger of UNOPS with the United Nations Office of Project Services, which authorized UNOPS to provide certain services to Non-Governmental Organizations.

14. While UNDP continues to be a key partner and client of UNOPS, the share of UNDP business has stabilized at around 35 per cent, with a small increase experienced in 2007 and 2008. As recognized in decision 2002/2, UNOPS has progressed in diversifying its client base and has responded to emerging service demands across the organizations of the United Nations system – especially in the areas of peacekeeping and humanitarian and development operations.

15. The relationship of UNDP to UNOPS has changed from that of 'parent' or 'overseer' to that of partner, with UNOPS as a sub-contractor. Where UNOPS management functions were at first closely integrated with those of UNDP, there is now independence. For example, authority with respect to personnel matters has been delegated to UNOPS. While once UNOPS was fully dependent on the UNDP country office network for field implementation, today UNOPS has its own network of regional offices and operations centres at the country level. Administrative services provided to UNOPS by UNDP country offices do not differ from the services provided to other United Nations entities. Like other United Nations Funds and Programmes – such as UNFPA – UNOPS outsources certain functions, including treasury, to UNDP. Significantly, whereas internal audit was formerly carried out by the UNDP Office of Audit and Performance Review, UNOPS now has its own internal audit function.

16. UNOPS has established the Strategy and Audit Advisory Committee, with a similar mandate to that of other comparable United Nations entities. Indeed, the Committee, which advises the Executive Director, offers a viable alternative to some of the oversight or risk management functions originally anticipated for the MCC.

17. In sum, UNOPS has significantly matured as a separate and identifiable entity over the 13 years of its existence. It has put in place the best practice management capacities and tools to facilitate and promote the operational accountability of the Executive Director.

B. Oversight and accountability issues

18. The oversight exercised by the Fifth Committee, ACABQ and BOA is well established. As detailed in DP/2008/6, an oversight and accountability framework, commensurate to those of UNDP and UNFPA, will be presented to the Executive Board in its annual session 2008.

19. The Executive Board has taken an active and most welcome role in dealing with the financial crisis of UNOPS. In 2003 the Board enhanced its exercise of vigorous oversight and guidance of UNOPS strategic direction and activities. Furthermore, in its decision 2007/9 the Board established a schedule for regular reporting by the Executive Director.

20. After a careful review of the historical context, the maturity of UNOPS, and state-of-art approaches to oversight and accountability, the MCC has concluded that the time has come to recommend that the Executive Director be held accountable directly to the Executive Board, as are the Administrator of UNDP and the Executive Director of UNFPA. This requires a revision to the terms of reference of the MCC, which was approved by the Secretary-General.

III. Establishment of a policy advisory committee

21. It is proposed that the role, functions, and composition of the MCC be revised to permit it to perform a policy advisory function. To reflect this new focus, it is suggested that the MCC be renamed the Policy Advisory Committee.

22. This proposed model would entrust the UNOPS Executive Director with full and independent authority and accountability for the conduct of UNOPS business. The Policy Advisory Committee would provide policy guidance to ensure that the strategy and activities of UNOPS corresponded to the broader objectives of the United Nations and that they were coordinated with the work of other entities in order to ensure a complementary approach and avoid overlap. Responsibility for the use of UNOPS financial and other resources would lie with the Executive Director.

Functions of the Policy Advisory Committee

23. Under this proposal, and subject to the approval of the Secretary-General, the Policy Advisory Committee would have the following policy advisory functions:

(a) Provide guidance to UNOPS in developing its strategy and business plan consistent with its self-financing basis; and

(b) Provide guidance on the relationships between UNOPS and other United Nations departments, offices and funds, programmes, agencies and organizations at the organizational level and in the context of United Nations country teams under the resident coordinators/humanitarian coordinators.

Composition and meetings of the Policy Advisory Committee

24. It is proposed that the membership of the Policy Advisory Committee be modified in line with the revised mandate to include the following (with a rotating chair to be nominated annually by the membership):

(a) Administrator, UNDP;
(b) Chair, High Level Committee on Management;
(c) Under-Secretary General, United Nations Department of Management;
(d) Under-Secretary General, United Nations Department for Field Services; and
(e) Under-Secretary General, Office for the Coordination of Humanitarian Affairs.

25. The Legal Counsel (or representative) could participate in the meetings ex officio, but should not be nominated to chair such meetings.

26. It is recommended that the Policy Advisory Committee hold two meetings each year, one prior to the first regular session of the Executive Board and the other prior to its annual session. The Chair or the Executive Director may convene extraordinary meetings as required.

IV. Reporting relationships

27. In line with the proposed modification of the MCC, the Executive Director will be accountable directly to the Executive Board. The Executive Director will report periodically to the Executive Board on the guidance received from the Policy Advisory Committee as may be required when policy issues are addressed by the Board and in the form of an attachment to its Annual Report. This proposal would require amendments to the Financial Rules and Regulations of UNOPS as follows:

Regulation 3.1, under C. Accountability, Article III

"The Executive Director is accountable for UNOPS activities to the Executive Board and to the Secretary-General."

Add: "The Policy Advisory Committee shall provide policy guidance to UNOPS."

Regulation 8.3

"Harmonization with UNDP and UNFPA is sought as follows:

(a) Within the UNOPS Account, an operational reserve shall be established at a level set by the Executive Board. The Operational Reserve, the purpose of which is to guarantee the financial viability and integrity of UNOPS, shall be fully funded and held in irrevocable and promptly available liquid assets. The elements to be compensated for and covered by it shall be limited to:

(i) Downward fluctuations or shortfalls in resources;
(ii) Uneven cash flows;
(iii) Increases in actual costs as compared to planning estimates or fluctuations in delivery; and
(iv) Other contingencies which result in a loss of resources for which UNOPS has made commitments for programming;

(b) The decision to make a drawdown from the operational reserve shall rest solely with the Executive Director, who will report all draw-downs to the Executive Board at its next regular session, and between sessions, to the members of the Executive Board, as may be prescribed by the Board, or whenever, in the opinion of the Executive Director, the situation so merits;"

Regulation 9.2, under E. Administration of Resources, Article IX.

"The Secretary-General may delegate to the Administrator of UNDP such authority with respect to custody of funds as would facilitate the efficient and effective management of UNOPS income as well as resources entrusted to the charge of UNOPS, and such delegated authority may be accepted by the Administrator of UNDP in writing."

Replace: "Administrator of UNDP" *with* "Executive Director of UNOPS".

Regulation 10.1: under E. Administration of Resources, Article X.

"Subject to confirmation by the UNDP Administrator that there are no conflicts with applicable UNDP Financial Regulations, to which these Regulations are an annex, the Executive Director may, in consultation with the Management Coordination Committee, establish detailed financial rules for UNOPS to ensure effective financial administration and the exercise of economy, and circulate the Financial Rules to Members of the Executive Board for information at least 30 days before they become

effective. The Executive Director may establish procedures consistent with these Regulations for implementation of such financial rules."

Delete: ", in consultation with the Management Coordination Committee,".

Delegation of human resources authority in relation to UNOPS staff to the UNOPS Executive Director

28. At present, the UNDP Administrator delegates human resources authority to the UNOPS Executive Director. Under the proposed arrangements, the Secretary-General would grant human resources authority in relation to UNOPS staff directly to the UNOPS Executive Director.

Annex 1*

Original functions of the Management Coordination Committee

29. The functions of the MCC, as set out in document DP/1994/61, include:

(a) Providing guidance to UNOPS in developing its strategy and business plan, and ensuring that UNOPS provides on a self-financing basis: implementation services for programmes and projects, management and other support services; and loan administration;

(b) Ensuring the appropriateness of the legal framework in line with the self-financing principle and the resultant requirement for UNOPS to work in a business-like manner;

(c) Reviewing the operational policies of UNOPS and approving any changes thereto in order to enable it to carry out its role within the legislative framework provided by the General Assembly and the Executive Board;

(d) Reviewing and authorizing, for submission to the appropriate approving authorities, the annual programme and budget of UNOPS and related documentation;

(e) Ensuring the responsiveness of UNOPS to users of its services. In carrying out this function, the MCC also ensures that UNOPS gives due consideration to recommendations emanating from the UNOPS Users Advisory Group;

(f) Guiding the relations of UNOPS with United Nations departments, UNDP and its country offices, and other United Nations agencies and organizations;

(g) Reviewing and evaluating UNOPS performance and effectiveness; and

(e) Ensuring that adequate administrative support services are available to UNOPS on a cost-effective basis.

*For annex 2, a letter from the Secretary-General dated 8 August 2008 please see the Executive Board web page.